

This digest covers the views of various authorities that are of general interest. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITIONS

Vol. 7 No. 6

June, 1934

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE, INC.	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	The current trade volume index rose to 127.8, a new high, as compared with the previous index of 118.9 and 100.0 a year ago (June).	One of the most encouraging items in the outlook is the increasing number of cities which are definitely on the upward trend. (June 11).	On the basis of experience on coming out of other major depressions, it can safely be assumed that powerful economic influences are working toward better business (June 18).	The most important domestic development of the past month has been the arrest and reversal of the downward trend in mass psychology (June 15).	A... indu... in r... is e... (Jun...
MONEY AND CREDIT	The monetary stock of gold in the world today is ample to maintain a much higher credit and price structure than is in existence at the present time (June 16).	Revival of capital goods industries and expansion of private credit are two forces yet to be felt (May 21).	Analysis of the figures of money in circulation indicates a decrease in hoarding and an increase in the use of money for such normal business purposes as payrolls and retail purchases (June 4).	There is as yet no convincing evidence that member bank credit is expanding in a sustained and substantial way. Such expansion is an essential to any great prosperity period (June 15).	W... beco... chan... capi... uses... chan...
SECURITY MARKETS	The underlying strength of the bond market remains a favorable fundamental. The movement thus far this month has recovered the ground lost in the slight May recession (June 21).	Two factors have joined forces in dampening market initiative: slowing down of late spring business and uncertainty as to how market regulation will work out (May 21).	There is little doubt that both the greatest immediate and potential effects on the market of the entire Securities Exchange Act are due to the sections which deal with manipulation (June 11).	Our best indicator of long term psychology is the bond market. It behaved remarkably well during the period of sharp recession in stock prices (June 1).	O... farm... struc... mar... is u... pow...
PRODUCTION	Steel mill activity apparently reached the 1934 peak in May and the prospect is that production will be curtailed during the remainder of the year (June 9).	Compared both with the previous month and with a year ago, electric power production shows definite improvement. Latest monthly figure is 15% above a year ago (June 11).	The liberal spending of the Government in the coming fiscal year will give more time for the measures designed to stimulate durable goods to become operative (June 18).	On the whole the showing of trade indexes is good compared with a year ago and indicates a far greater activity in the heavy industries during the remainder of 1934 than was indicated a year ago for the remainder of 1933 (June 15).	T... whic... the p... whol... whic... of Ju...
DISTRIBUTION	Retail sales in the East North Central section were 93% greater than a year ago (June).	Practically all the principal chain stores report an increase in dollar amount of sales during April, compared with April, 1933, and for the first four months of this year as against the corresponding period a year ago (June 11).	Uncertainties over the extent of damage done by the drought is depressing retail trade. Another factor operating in the same direction in the cities has been the widespread epidemic of strikes (June 18).	Heavy governmental expenditures scheduled for July and August will act as a "primer" for business and can be expected to bring about an earlier than usual reversal in the seasonal downtrend in general trade (June 15).	T... grain... coal... traf... (Jun...
BUILDING	Building in the New England section continued active with the volume in the first four months double that of 1933 (June).	The building industries continue to show erratic tendencies (May 21).	Prices in the steel industry have risen to a high level, and this factor contributes to the high cost of building (June 18).	Adequate housing was defined as one of the major objectives for consideration of the next Congress (June 15).	E... the... ing... be u... ished...
AGRICULTURE	A satisfactory solution of the farm problem calls for a further rise of 63.9% in the farmers' purchasing power (June 9).	Basic revival is moving ahead too vigorously to be more than temporarily retarded by any such setback as the present farm drought (May 21).	Cash farm income in April totaled \$388 million (including \$7 million benefit payments) according to the U.S. Department of Agriculture, which was a gain of 25% over April, 1933 (May 31).	The drought situation is doubtless serious and will most adversely affect those areas visited by this plague (June 15).	T... chan... for a... 11 m...
COMMODITY PRICES	The downturn of the commodity price index in April indicated the beginning of a natural reaction from the sharp recovery of the past year (June 9).	While the fundamental trend of commodity prices is still upward, the short-swing outlook, particularly for retail food prices, is for a slight weakening tendency (June 11).	The buying power of the farmer for industrial goods is expected to be fairly sizable this Fall (June 18).	The drought is not an unmixed evil if it will serve the useful purpose of removing a price dislocation which has made recovery difficult (June 8).	T... agric... still... tone... stron... level...
FOREIGN TRADE AND CONDITIONS	Great Britain's debt to the U. S. is larger than the debt of any other country, amounting to \$1,636 million at the present time, or 36.5% of the total of \$12,710 million owed to the U. S. (June 9).	The greatest monetary event thus far of 1934 was Germany refusing to pay interest on its post war indebtedness and disrupting all international confidence (June 18).	That there is much room for expanding world markets is shown by the decline in world trade from 63 billion dollars in 1929 to 26½ billion in 1932—a drop of 61% (June 18).	Conditions abroad indicate little change in the far eastern situation, with both Japan and Russia endeavoring to "consolidate" their positions (June 15).	A... tatio... in t... (Ma...
LABOR AND WAGES	The number of wage earners in the automobile industry in April, 1934, totaled 399,000 as compared with only 146,000 at the depression's low in October, 1932 (June 9).	Strike totals for May were 243 compared with 242 in April and 289 in May a year ago (June 11).	Strikes and threatened strikes in many industries and from all corners of the country offer a serious challenge to industrial recovery (June 4).	Labor troubles have never halted a prosperity upswing in this country, but have generally been one of the indicators of such a development (June 15).	T... indu... gain... coer... thin...

UNIVERSITY OF

SEAT

This digest covers the views of various authorities that are of general interest. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITIONS

Vol. 7 No. 6

June, 1934

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE, INC.	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	The current trade volume index rose to 127.8, a new high, as compared with the previous index of 118.9 and 100.0 a year ago (June).	One of the most encouraging items in the outlook is the increasing number of cities which are definitely on the upward trend. (June 11).	On the basis of experience on coming out of other major depressions, it can safely be assumed that powerful economic influences are working toward better business (June 18).	The most important domestic development of the past month has been the arrest and reversal of the downward trend in mass psychology (June 15).	A... indu... in r... is e... (Jun...
MONEY AND CREDIT	The monetary stock of gold in the world today is ample to maintain a much higher credit and price structure than is in existence at the present time (June 16).	Revival of capital goods industries and expansion of private credit are two forces yet to be felt (May 21).	Analysis of the figures of money in circulation indicates a decrease in hoarding and an increase in the use of money for such normal business purposes as payrolls and retail purchases (June 4).	There is as yet no convincing evidence that member bank credit is expanding in a sustained and substantial way. Such expansion is an essential to any great prosperity period (June 15).	W... beco... chan... capi... uses... chan...
SECURITY MARKETS	The underlying strength of the bond market remains a favorable fundamental. The movement thus far this month has recovered the ground lost in the slight May recession (June 21).	Two factors have joined forces in dampening market initiative: slowing down of late spring business and uncertainty as to how market regulation will work out (May 21).	There is little doubt that both the greatest immediate and potential effects on the market of the entire Securities Exchange Act are due to the sections which deal with manipulation (June 11).	Our best indicator of long term psychology is the bond market. It behaved remarkably well during the period of sharp recession in stock prices (June 1).	O... farm... struc... mar... is u... pow...
PRODUCTION	Steel mill activity apparently reached the 1934 peak in May and the prospect is that production will be curtailed during the remainder of the year (June 9).	Compared both with the previous month and with a year ago, electric power production shows definite improvement. Latest monthly figure is 15% above a year ago (June 11).	The liberal spending of the Government in the coming fiscal year will give more time for the measures designed to stimulate durable goods to become operative (June 18).	On the whole the showing of trade indexes is good compared with a year ago and indicates a far greater activity in the heavy industries during the remainder of 1934 than was indicated a year ago for the remainder of 1933 (June 15).	T... whic... the p... whol... whic... of Ju...
DISTRIBUTION	Retail sales in the East North Central section were 93% greater than a year ago (June).	Practically all the principal chain stores report an increase in dollar amount of sales during April, compared with April, 1933, and for the first four months of this year as against the corresponding period a year ago (June 11).	Uncertainties over the extent of damage done by the drought is depressing retail trade. Another factor operating in the same direction in the cities has been the widespread epidemic of strikes (June 18).	Heavy governmental expenditures scheduled for July and August will act as a "primer" for business and can be expected to bring about an earlier than usual reversal in the seasonal downtrend in general trade (June 15).	T... grain... coal... traf... (Jun...
BUILDING	Building in the New England section continued active with the volume in the first four months double that of 1933 (June).	The building industries continue to show erratic tendencies (May 21).	Prices in the steel industry have risen to a high level, and this factor contributes to the high cost of building (June 18).	Adequate housing was defined as one of the major objectives for consideration of the next Congress (June 15).	E... the... ing... be u... ished...
AGRICULTURE	A satisfactory solution of the farm problem calls for a further rise of 63.9% in the farmers' purchasing power (June 9).	Basic revival is moving ahead too vigorously to be more than temporarily retarded by any such setback as the present farm drought (May 21).	Cash farm income in April totaled \$388 million (including \$7 million benefit payments) according to the U.S. Department of Agriculture, which was a gain of 25% over April, 1933 (May 31).	The drought situation is doubtless serious and will most adversely affect those areas visited by this plague (June 15).	T... chan... for a... 11 m...
COMMODITY PRICES	The downturn of the commodity price index in April indicated the beginning of a natural reaction from the sharp recovery of the past year (June 9).	While the fundamental trend of commodity prices is still upward, the short-swing outlook, particularly for retail food prices, is for a slight weakening tendency (June 11).	The buying power of the farmer for industrial goods is expected to be fairly sizable this Fall (June 18).	The drought is not an unmixed evil if it will serve the useful purpose of removing a price dislocation which has made recovery difficult (June 8).	T... agric... still... tone... stron... level...
FOREIGN TRADE AND CONDITIONS	Great Britain's debt to the U. S. is larger than the debt of any other country, amounting to \$1,636 million at the present time, or 36.5% of the total of \$12,710 million owed to the U. S. (June 9).	The greatest monetary event thus far of 1934 was Germany refusing to pay interest on its post war indebtedness and disrupting all international confidence (June 18).	That there is much room for expanding world markets is shown by the decline in world trade from 63 billion dollars in 1929 to 26½ billion in 1932—a drop of 61% (June 18).	Conditions abroad indicate little change in the far eastern situation, with both Japan and Russia endeavoring to "consolidate" their positions (June 15).	A... tatio... in t... (Ma...
LABOR AND WAGES	The number of wage earners in the automobile industry in April, 1934, totaled 399,000 as compared with only 146,000 at the depression's low in October, 1932 (June 9).	Strike totals for May were 243 compared with 242 in April and 289 in May a year ago (June 11).	Strikes and threatened strikes in many industries and from all corners of the country offer a serious challenge to industrial recovery (June 4).	Labor troubles have never halted a prosperity upswing in this country, but have generally been one of the indicators of such a development (June 15).	T... indu... gain... coer... thin...

UNIVERSITY OF

SEAT

IS AND FORECASTS

Prepared Monthly by the AMERICAN MANAGEMENT ASSOCIATION
Reproduction Not Permitted

1934

Copyright, 1934 by the AMERICAN MANAGEMENT ASSOCIATION

SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>A rather unsatisfactory general industrial situation, with a letdown in railway traffic and retail trade, is expected during the Summer (June 16).</p>	<p>Business activity and industrial production have definitely slowed down during the past month (June 15).</p>	<p>Although the level of trade has been reasonably well maintained in recent weeks, it is evident that a pronounced feeling of uncertainty still pervades the business community (May 28).</p>	<p>With industrial curtailment so uniform, the likelihood that the recession will last well into the Summer is generally conceded (June).</p>
<p>We find the Federal government becoming an increasingly important channel through which credit and capital are finding their way into uses, many of which are unusual in character (June 9).</p>	<p>The sharp drop after 1930 reflects the decline in proceeds of taxation in general, but especially in returns from the Federal income taxes on which we rely heavily for governmental revenue (June 15).</p>	<p>What the world needs above all else in its currency at present is the greatest possible assurance of stability (May 28).</p>	<p>The principal factors this year in these conditions of extreme monetary ease have been the return of currency to the banks, gold imports and the creation of credit by the Treasury through issuing gold certificates to Reserve Banks (June).</p>
<p>Ordinarily the upward turn in farm products would be a constructive factor in the security market but at present the net effect is unfavorable for farm buying-power (June 2).</p>	<p>The recovery has not been accompanied by such an increasing flow of new security issues as has marked previous upturns in this country (May 15).</p>	<p>The feeling of uncertainty pervading business has been reflected in the security markets (May 28).</p>	<p>As a consequence of the mounting supplies of excess reserves there has been a continued concentration of funds into high-grade bonds, and particularly into Government Securities (June).</p>
<p>The present rate of steel activity, which has so strongly influenced the public mind, is a matter almost wholly of anticipatory demand which will shrivel up after the end of June (June 9).</p>	<p>The index of industrial production of this bank was 29.0% below normal in January, 26.3% in February, 22.7% in March, 22.7% in April, and the May estimate is 24.5%. The April figure is still preliminary (June 15).</p>	<p>Electric power production remains virtually at the highest level of the year to date (May 28).</p>	<p>Current declines in industrial operations, insofar as they are a natural offset to the preceding rise, should not be greatly disturbing to business sentiment (June).</p>
<p>The diminished shipment of grain, and heavy freight, such as coal and ore, will cut into the rail traffic and earnings this Summer (June 2).</p>	<p>Increases in production, transportation, and trade have not been well distributed, but have been mostly due to Federal expenditures and increased automobile output (May 15).</p>	<p>The movement of railway freight has declined somewhat from the peaks of February and March but remains well above the level of a year ago (May 28).</p>	<p>The possibility of a loss of farm purchasing power through crop failure has slowed up both retail and wholesale trade in the areas worst affected and leads to business hesitation elsewhere (June).</p>
<p>Excessive hopes entertained at the beginning of the year concerning the great building program to be undertaken in 1934 have vanished (June 2).</p>	<p>Deficient building construction is now probably the greatest obstacle to recovery (June 15).</p>	<p>Construction contracts declined sharply in April, but the total was nearly double that for the corresponding period in 1933 (May 28).</p>	<p>During the first half of May building contract awards, as reported by the Dodge Corporation, declined 8.4% below the April average, which in turn was 20% below March (June).</p>
<p>The drought has not materially changed the previous indications for a cotton crop of around 10 to 11 million bales (June 16).</p>	<p>Recent developments make it seem likely that the drought will not become the national calamity that recently seemed threatened (June 15).</p>	<p>Farm products showed advances in corn, wheat, sugar, and cattle, and declines in cotton, wool, hogs, and hides in the wholesale price index for month ended May 15 (May 28).</p>	<p>Shortage of rain thus far this year is a very serious matter in the Spring wheat States. Drought in 1931 and again in 1933 left a deficit of subsoil moisture in this area (June).</p>
<p>The impairment of important agricultural crops by the drought still remains a factor infusing a firm tone in one of the groups of prices strongly influencing the general level (June 16).</p>	<p>The reluctance to build is aggravated by the fact that construction costs have recently advanced until they are almost as great as they were at the peak of the building boom (June 15).</p>	<p>The expectation of rising prices has resulted in a substantial amount of forward buying in some lines. This situation is very likely to be followed by a period of dullness (May 28).</p>	<p>Agricultural prices as a whole are making little progress toward the parity with non-agricultural prices which it is the Government's aim to restore (June).</p>
<p>Agreement for control of plantation rubber production and export in the Far East has been effected (May 19).</p>	<p>The tax burdens have risen in all the countries during the depression years, and this has been notably the case in France and in this country (June 15).</p>	<p>An emphatic expression of faith in the international gold standard was made by the President, Bank for International Settlements, in a recent report (May 28).</p>	<p>The Chinese silver situation is one more complication in the state of world confusion, all of which is unfavorable to orderly steps toward monetary stability (June).</p>
<p>The insistence of large groups of industrial labor for stronger bargaining power and less employer coercion is powerfully reinforced by the higher cost of essential things (June 16).</p>	<p>The greatest single group of the unemployed are the workers in the construction industry (June 15).</p>	<p>Employment in private industry increased by 224,000 last month, contrary to the seasonal tendency, while payrolls rose \$7,700,000 weekly (May 28).</p>	<p>One-half to three-quarters of the strikes reported have originated in questions as to methods of collective bargaining (June).</p>

UNIVERSITY OF WASHINGTON
SEATTLE